1955 ANNUAL REPORT

Jewel Tea Co., Inc.

Contents

The cover • Entrance to our new office building located at 1955 West North Avenue, Melrose Park, Illinois, headquarters for most of our executive personnel. The "Office of the Year" award (to the left above) was presented by the Office Management Magazine for the most outstanding office from the standpoint of layout and design completed in 1955 for less than 500 employees.

1955 Results in Brief

	1955	*1954*
Retail sales:		
Retail Food Stores	$220,926,333	$187,573,005
Home Service Routes	79,449,046	82,977,925
Total	$300,375,379	$270,550,930
Earnings:		
Before federal income taxes	$ 9,733,309	$ 8,018,498
Net for the year	4,736,309	4,113,498
Reinvested in the business	1,918,897	1,555,690
Earned per share of common stock	$ 3.49	$ 3.01
Dividends per share of common stock	2.00	1.80
Net working capital	$ 28,078,219	$ 22,651,459
Ratio of current assets to current liabilities	2.4 to 1	2.2 to 1
New property, plant and equipment (net)	$ 4,159,619	$ 8,073,150
Depreciation provision	2,990,215	2,566,797
Operating units:		
Number of Home Service Routes	2,022	2,147
Number of Retail Food Stores	179	173
Square feet of floor space	1,476,901	1,338,793
Shareowners	7,273	7,106
Common shares outstanding	1,287,625	1,282,051
Preferred shares outstanding	65,945	67,450
Employees	7,745	7,622

Management's Report

February 8, 1956

To Jewel Shareowners and Jewel People:

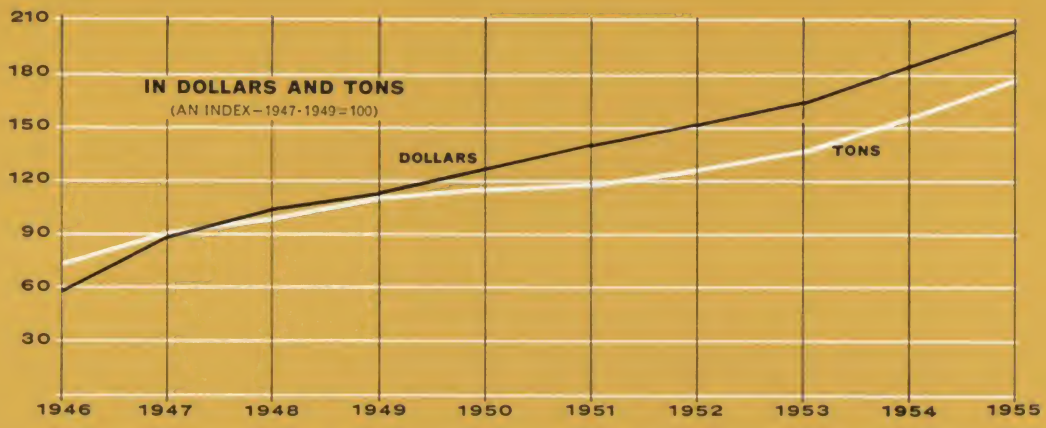
This report covers the activities of your Company during the 52 weeks ended December 31, 1955, Jewel's 57th year. It was a year of progress, with new records in sales, earnings, dividends and employment. More important for the future, the Food Stores Growth Program was blueprinted through 1957 and in the Home Service Routes the transition to an improved form of organization and distribution was started with the opening of the first Area Distribution Center in New Castle, Pennsylvania.

SALES

Retail sales crossed $300 million for the first time in Jewel's history, reaching $300,375,379. This represented an increase of 11.0% over sales in 1954, marking the 12th consecutive year of new sales records for the Company. Sales in tons showed a greater increase than dollar sales as retail prices averaged less than a year ago.

The Retail Food Stores contributed all of the sales gain under the stimulus of the store growth program. Sales for the Home Service Routes were down slightly from a year ago, reflecting lower coffee prices and the program of con-

SALES



solidation which resulted in a reduction in the number of routes operated. This program, as described in our 1954 Annual and 1955 Midyear Reports, is designed to improve the efficiency of our route operations. Sales per route customer exceeded those in 1954, continuing an unbroken trend of year-to-year increases in this factor since World War II.

EARNINGS AND DIVIDENDS

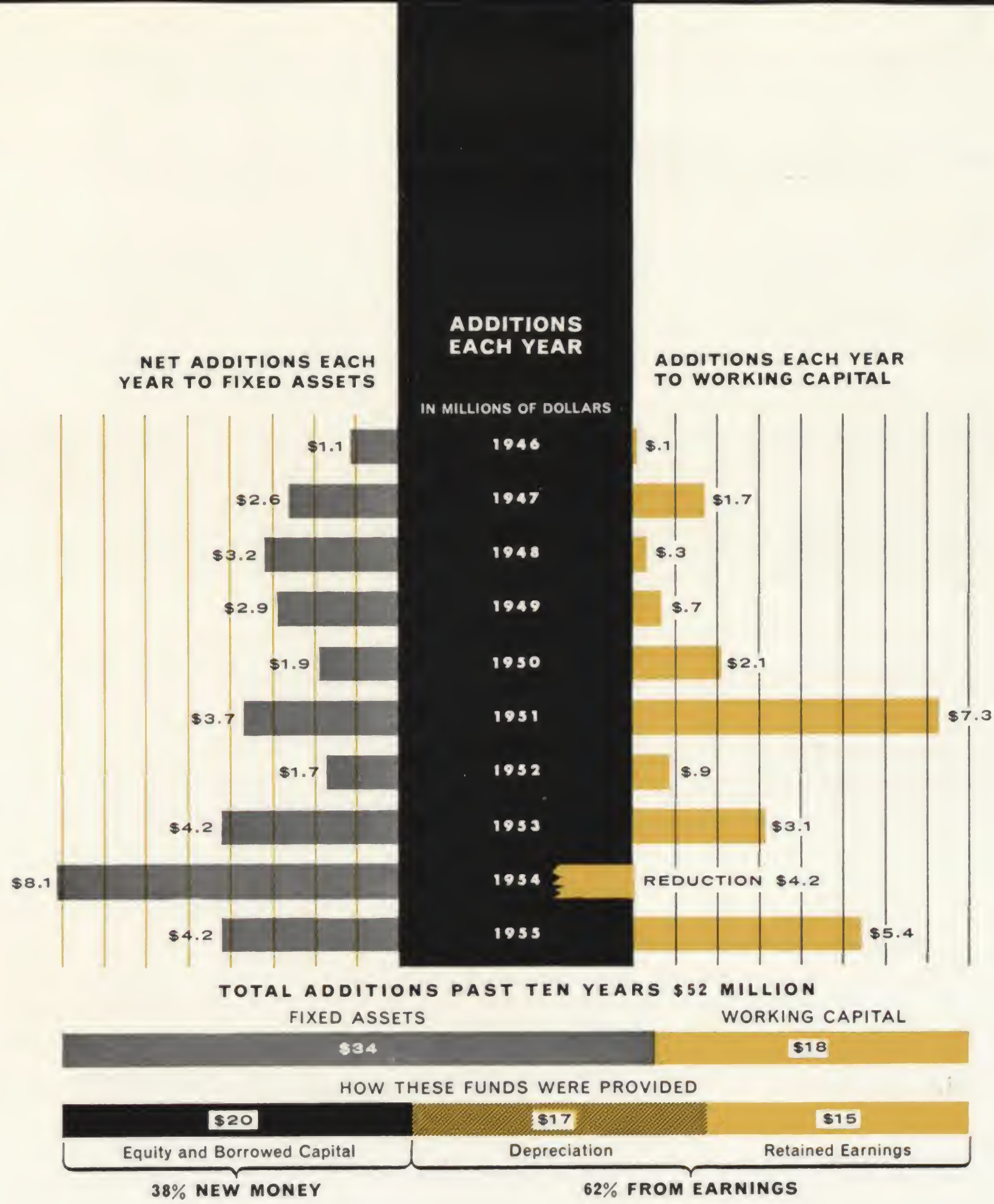
Net earnings for 1955 reached $4,736,309, or 15.1% above the $4,113,498 reported for 1954. After preferred dividend requirements, 1955 earnings were $3.49 per common share compared with $3.01 for 1954. Earnings before profit sharing and federal income taxes increased in both the Food Stores and the Home Service Routes.

Dividends on the common stock were paid at the quarterly rate of 50¢ per share in 1955, making a total of $2.00 for the year. This compares with a total of $1.80 per share declared from 1954 earnings.

FINANCES

Net additions to capital assets amounted to $4,159,619 for the year, of which $3,000,647 was for the Food Stores, $928,975 for the Home Service Routes, and $229,997 for manufacturing facilities and other assets.

On November 16, 1955, under the standby arrangements noted in previous reports, we borrowed $5,000,000 from two large life insurance companies at



3¾% per annum. Required annual repayments begin in November 1956 and the final payment is due November 1, 1978.

Net working capital amounted to $28,078,219 at year end, an increase of $5,426,760 during the year which reflects the borrowings noted previously. The ratio of current assets to current liabilities was 2.4 to 1, and cash and marketable securities equaled 86% of current liabilities.

Additional information on finances is contained in the above chart and in the Source and Use of Funds statement on page 13.

INVENTORIES AND RECEIVABLES

Inventories totaled $21,731,247 at year end, an increase of $1,102,113 from a year ago. A 10% reduction in Home Service Routes inventories was more than offset by a rise for the Food Stores, a natural result of our store growth program. Total inventories represented 4.7 weeks' supply at the end of the year. This was the lowest year-end ratio in our history and compared with 5.4 weeks' supply at the end of 1954.

Accounts receivable declined during the year to $7,493,260 from $8,226,824 at the end of 1954, reflecting the results of a new credit administration plan for route budget accounts. About 40% of our route customers have budget balances, which average less than $20.00 per budget customer. Our plan provides for payment of budget plan purchases over a 20-week period and the maximum credit extended to any one customer is limited to $75.00.

THE FARM-RETAIL PRICE SPREAD

The squeeze on farm income in recent years has occasioned much concern to those in the food industry.

Objective students attribute the farm problem to two main factors: (1) too large a production of some farm products, encouraged by high price supports; and (2) too many farm families with too few resources to secure an adequate income, even if price supports were set at 100% of parity. The farm question is extremely important, and much attention has centered on the spread between farm and retail prices. This has tended to divert public interest from the basic farm difficulties. However, in view of the widespread interest in marketing margins, certain facts may help in understanding the farm-retail price spread.

The food dollar represents far more than food alone. Today it includes the price of services and conveniences demanded by America's Homemakers. Bread, rolls and cakes, for example, are no longer purchased only in the form of flour, sugar and other basic ingredients, but to a large extent in the form of bread, sliced and wrapped, brown-and-serve rolls, cake mixes or a finished

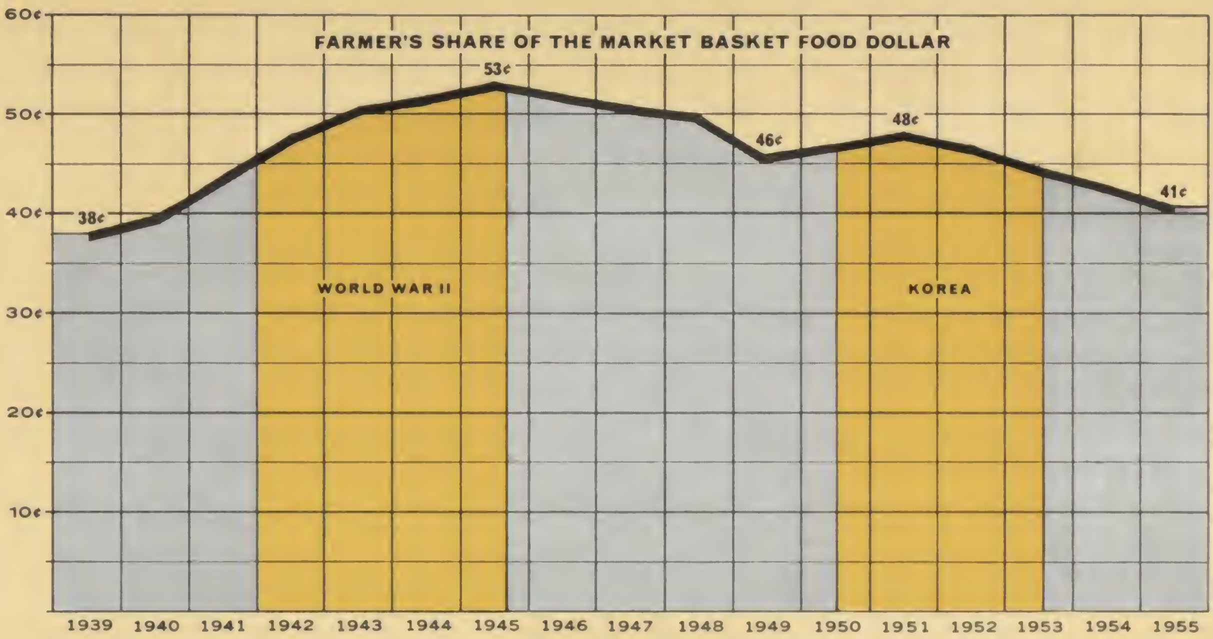
cake. The food dollar paid for these includes a charge for processing services that were previously performed in the home. As a result of added convenience built into these and many other modern foods, the raw product contributed by the farmer represents a smaller part of the finished product purchased in the food store.

The farmer's share of a customer dollar spent for foods manufactured from American produced farm products has declined from a peak of 53¢ in 1945 to 41¢ in 1955, according to the U. S. Department of Agriculture. At the same time it should be noted that, despite large surpluses created by high-level price supports, the farmer's share of the food dollar in 1955 was exactly equal to the average of the ten years, 1920-29, and moderately exceeded the share received by farmers immediately before World War II.

In recent years the cost of providing the additional services demanded by consumers has tended to rise with higher wages, rents and utility rates; and higher prices for steel, paper and other materials. These higher costs have caused a rise in the retail price of some finished foods even though the price of the raw farm product has declined.

For items which do not require as much processing and where the farmer contributes a large share of the finished product, the decline in the price of the farm product is reflected in the retail price. To take one example, the price paid by Jewel for meat declined by 18.8¢ per pound between the peak period reached in August 1952, when price controls were in effect, and December 1955. Prices paid by Jewel customers fully reflected this reduction in purchase cost and also declined by 18.8¢ per pound.

The full amount of the reduction in our meat costs was passed on to customers notwithstanding an increase in the wage rate for Chicago journeymen butchers from $1.99 per hour in August 1952 to $2.50 per hour in our modern self-service markets in December 1955. Other expenses were also higher, such as for laundry, utilities, and wrapping paper; and additional services were provided in the stores, such as air conditioning. These higher costs were absorbed through improvements in operating efficiency as discussed in the later section of this report entitled "Making Jewel A Better Place To Trade."



Leisure and convenience are two things demanded by Americans today. An economical way to provide both is to transfer food preparation from the home kitchen to the modern food processing plant. The homemaker, by purchasing her food with "Built-In Maid Service," to use the phrase coined in our 1953 Annual Report, has more time for other family and community responsibilities.

Manufacturers, processors, retailers and farmers, by catering to this demand for convenience, have broadened markets and raised the proportion of consumer income spent for food. Before World War II the American consumer spent 23% of his income after taxes on food. The same foods today, at current prices and in the same quantities as before the War, would cost only 17% of income. But, without consuming more calories, consumers spend approximately 25% of their income for food today; actually more than before World War II.

Diets are improved in terms of basic nutrients and consumers are buying more convenience and other valuable services added to the raw product contributed by the farmer. This development has helped to expand the overall demand for his products.

In addition to helping broaden markets for farm products by providing needed services for consumers, the food chains have cooperated actively with farmer groups through an organized program to help move commodities in excess supply. In 1955, for example, special efforts were made by Jewel and others to promote pork and avoid ruinously low prices for hogs. Consumption of pork rose from 1954 to 1955 by approximately 14% for the United States as a whole and by 55% for Jewel.

We plan to continue to work with farm and industry groups to bring exceptional values to customers, through special promotions of items in surplus, and to help develop a better public understanding of the reasons for the farm-retail price spread.

THE OUTLOOK

The experts in economic forecasting seem to agree that while 1956 may see adjustments in particular industries, total business activity should remain close to capacity. Consequently the spendable income of our customers is expected to be at a level favorable to the sale of food and household products. Supplies, especially of meat and other food products, will also be large, making possible attractive values for customers.

Against this background we plan to go forward with our store growth program, opening approximately 20 new stores in 1956. Of these, 10 were under construction at the beginning of the year and leases had been signed for the other 10, though construction had not started. All of these will have parking lots, self-service meats, air conditioning, and extensive space for frozen and other convenience foods. Smaller stores will continue to be closed in 1956 but because conditions are constantly changing it is difficult to estimate the exact number.

The practice of giving trading stamps redeemable for premiums along with food purchases has grown up in various parts of the country. However, it has not penetrated the Chicago market. We have organized a wholly-owned subsidiary, known as Extra Value Stamps, Inc., and are ready to use this type of competition if it should prove necessary.

In the Home Service Routes we expect to extend the operating improvements made possible by Area Distribution Centers. The area served by the first center, opened last summer in New Castle, Pennsylvania, is pictured in the section of this report entitled "Making Jewel A Better Place To Trade." Additional Area Distribution Centers will be opened in 1956 in Baltimore, Maryland; Binghamton, New York; and Southern California. Each will serve from 160 to 190 routes within a radius of about 250 miles of the center. When these centers are opened, more than one-third of our routes will be operating with this more efficient method of distribution.

Economic conditions and physical facilities are two factors conditioning Jewel's development. The third and most important factor in our business is Jewel people. We would like at this point to express our appreciation to all Jewels for their support during the past year and our confidence in their continued dedication to making Jewel A Better Place To Trade.

G. L. Clements
President

For the Board of Directors:

F. J. Lunding
Chairman

How Our 1955 Sales Dollar Was Divided

Comparisons with 1954
and the 1949-1953 average

	1955	1954	1949-1953 Average
TOTAL SALES AND REVENUES (Millions of Dollars)	$ 302	$ 272	$ 204
DISTRIBUTION (Per $1 of Sales)			
Farmers, processors, suppliers, landlords, interest, services and doubtful accounts	80.4¢	80.3¢	79.8¢
Employees, including social security taxes	14.6	15.0	15.1
Federal, state and local taxes	2.1	1.9	2.1
Depreciation, maintenance and repairs	1.3	1.3	1.2
Earnings	1.6	1.5	1.8
	$1.00	$1.00	$1.00

Accountants' Report

Chicago, Illinois
February 3, 1956

To the Board of Directors,
JEWEL TEA CO., INC.:

We have examined the balance sheet of Jewel Tea Co., Inc., as of December 31, 1955, and the related statements of income, accumulated earnings and source and use of funds for the fifty-two weeks then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying balance sheet and statements of income, accumulated earnings and source and use of funds present fairly the financial position of Jewel Tea Co., Inc., at December 31, 1955, and the results of its operations for the fifty-two weeks then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Touche, Niven, Bailey & Smart

Certified Public Accountants.

Income Account

	52 Weeks Ended Dec. 31, 1955	52 Weeks Ended Jan. 1, 1955
Sales and Revenues:		
Retail sales, including sales tax collections....	$306,625,038	$275,192,112
Less sales tax collections...............	6,249,659	4,641,182
Retail sales	300,375,379	270,550,930
Other sales and revenues.................	1,160,906	1,556,184
Total sales and revenues..........	301,536,285	272,107,114
Cost of Doing Business:		
Paid to or for the benefit of employees:		
Payrolls	41,558,720	38,827,229
Social security taxes..................	856,205	765,181
Contribution to Jewel Retirement Estates..	1,559,083	1,215,582
Total	43,974,008	40,807,992
Products, materials, services, rents and interest	241,701,651	217,685,190
Depreciation	2,990,215	2,566,797
Maintenance and repairs..................	1,062,281	1,032,372
Doubtful accounts	627,806	750,364
Federal income taxes....................	4,997,000	3,905,000
State, local and all other federal taxes.......	1,447,015	1,245,901
Total cost of doing business......	296,799,976	267,993,616
Net Earnings for the Year..................	4,736,309	4,113,498
Dividends on preferred stock..............	246,498	252,982
Earnings applicable to common stock.......	$ 4,489,811	$ 3,860,516
Earnings per share of common stock........	$ 3.49	$ 3.01

See accompanying notes to financial statements

Balance Sheet

Assets

	Dec. 31, 1955	Jan. 1, 1955
Current Assets:		
Cash	$ 6,675,197	$ 6,768,718
Marketable securities	10,410,927	3,671,233
Accounts receivable	7,493,260	8,226,824
Inventories	21,731,247	20,629,134
Equity in retail store properties held for sale	651,705	758,132
Prepaid expenses and supplies	975,811	912,833
Total current assets	47,938,147	40,966,874
Deferred Charge — Premiums Advanced to Customers	1,733,577	1,934,339
Other Investments	111,269	
Property, Plant and Equipment	19,993,484	18,824,080
Goodwill	1	1
	$69,776,478	$61,725,294

Liabilities

	Dec. 31, 1955	Jan. 1, 1955
Current Liabilities:		
Accounts payable and accrued expenses	$ 9,765,322	$10,450,604
Dividends payable	61,823	63,234
Accrued federal, state and local taxes	6,336,853	5,115,828
Accrued payrolls and profit sharing	3,478,530	2,685,749
Long term indebtedness due within one year	217,400	
Total current liabilities	19,859,928	18,315,415
Long Term Indebtedness, less due within one year	12,302,600	7,760,000
Shareowners' Investment:		
Preferred stock	6,900,000	6,900,000
Common stock	11,355,925	11,156,407
Accumulated earnings—reserved for:		
General contingencies	750,000	750,000
Self-insured losses	250,000	250,000
Accumulated earnings—unappropriated	18,660,447	16,741,550
Preferred stock in treasury	(302,422)	(148,078)
Total shareowners' investment	37,613,950	35,649,879
	$69,776,478	$61,725,294

See accompanying notes

Accumulated Earnings *(Unappropriated)*

Reinvested in the Business

Balance, January 1, 1955		$16,741,550
Net earnings for the year, from Income Account		4,736,309
		21,477,859
Deduct:		
Dividends to owners of the business:		
Preferred shareowners—$3.75 per share	$ 246,498	
Common shareowners—$2.00 per share	2,570,914	2,817,412
Balance, December 31, 1955		$18,660,447

Source and Use of Funds **Year Ended December 31, 1955**

Source of Funds:		
Net earnings for the year		$ 4,736,309
Provision for depreciation		2,990,215
Increase in long term indebtedness	$5,000,000	
Less portion due within one year and payment on bank loan	457,400	
Net increase in long term indebtedness		4,542,600
Increase in current liabilities		1,544,513
Sale of common stock		199,518
		$14,013,155
Use of Funds:		
Additions to property, plant and equipment (Less book value of sales and retirements)		$ 4,159,619
Net increase in cash and marketable securities		6,646,173
Other investments		111,269
Net increase in all other assets		124,338
Preferred stock purchases for sinking fund		154,344
Dividends to owners of the business		2,817,412
		$14,013,155

to financial statements

Notes to Financial Statements

• Marketable Securities

Marketable securities have been valued at the lower of cost or market and consist solely of U.S. Government securities.

• Allowance for Doubtful Accounts

Items on the balance sheet have been reduced by an allowance for doubtful accounts as follows:

	Dec. 31, 1955	Jan. 1, 1955
Accounts receivable	$303,049	$315,720
Premiums advanced to customers.	70,934	75,383

• Inventories

Inventories at December 31, 1955 were valued at the lower of cost or market. Cost, except for green (unroasted) coffee, was determined on the general principle of "first-in, first-out". Green coffee inventory cost was determined in accordance with the "last-in, first-out" (LIFO) method.

Inventories at year end consisted of the following:

	Dec. 31, 1955	Jan. 1, 1955
Green coffee and other raw materials	$ 2,360,018	$ 2,233,978
Finished merchandise	19,371,229	18,395,156
	$21,731,247	$20,629,134

• Equity in Retail Store Properties Held for Sale

The Company has retail food stores in various stages of completion, titles to which are held in land trusts. The costs financed out of corporate funds amounted to $651,705 at December 31, 1955. The balance of the costs was financed through real estate mortgages aggregating $376,660, each of which is a lien or liability only against the specific piece of property involved.

• Property, Plant and Equipment

It is Company policy to acquire the use of retail store and branch office-warehouse properties under lease agreements wherever possible. Leases for all properties, presently 261 in number (generally for five or ten year terms but for no longer than ten years), do not include provisions for purchase of the subject properties nor the assumption of ownership obligations, and the annual minimum commitments for leases expiring beyond five years total approximately $1,059,000. Rentals for all leased properties in 1955 totaled $2,115,717.

A schedule of property, plant and equipment, together with related allowances for depreciation, is shown in the table below:

	Dec. 31, 1955	Jan. 1, 1955
Cost:		
Land	$ 939,887	$ 940,642
Buildings	8,633,187	8,524,312
Motor vehicles	8,149,289	7,471,665
Equipment	15,246,348	13,034,228
Total cost	32,968,711	29,970,847
Allowance for depreciation:		
Buildings	2,203,473	1,973,475
Motor vehicles	4,467,927	3,893,217
Equipment	6,303,827	5,280,075
Total allowance for depreciation	12,975,227	11,146,767
Book value of property, plant and equipment	$19,993,484	$18,824,080

In 1955 the Company reviewed its depreciation policies in light of Section 167 of the 1954 Revenue Code, and has elected to use an accelerated depreciation method as provided in the Code for most of its eligible capital assets for tax purposes only. Depreciation for financial statement purposes reflects, in all cases, the straight-line method. Provision has been made for the deferred income tax applicable to the excess of depreciation to be claimed for tax purposes over the corresponding amount of depreciation charged to earnings.

• Long Term Indebtedness

The Company is indebted to two insurance companies for $5,000,000 on its 2.85% unsecured notes, payable in equal annual installments beginning February 1, 1962, with a final maturity on February 1, 1971.

It is indebted to the same insurance companies for an additional $5,000,000 received in November, 1955 on its 3.75% unsecured notes. These notes are payable in annual installments of $217,400 beginning November 1, 1956, except that no installment will be due on November 1, 1960, with a final payment of $434,600 at maturity on November 1, 1978.

The Company is also indebted to a group of its principal banks for $2,520,000. This term loan is unsecured, the interest rate ranges between 2.25% and 2.75%, and repayment terms call for 8% of the original principal amount annually through 1960, with a final payment of 52% in 1961. The second annual repayment was made December 29, 1955.

Interest on long term indebtedness totaled $268,646 in 1955.

• Preferred Stock—Stock in Treasury

Preferred stock is 3.75% cumulative $100 par value, and 69,000 shares were authorized and issued at December 31, 1955.

Under the Indenture provisions relating to the preferred stock, the Company must acquire annually on or before each June 30th at least 1,500 shares in connection with sinking fund requirements of the issue. On December 31, 1955 there were 3,055 shares of preferred stock in the treasury valued at acquisition cost of $302,422, of which 3,000 shares are earmarked for sinking fund requirements through June 30, 1955.

• Common Stock

Common stock of $1 par value per share consists of 1,800,000 authorized shares. At December 31, 1955 there were 1,287,625 shares issued and outstanding. During 1955, 5,574 shares were issued to employees under terms of the Company's employee stock purchase plan and the proceeds of $199,518 have been credited to the Common Stock Account. In addition 4,397 shares were under contract to employees at December 31, 1955.

• Accumulated Earnings (Unappropriated)

Under the terms of our Note Agreements with insurance companies and the preferred stock provisions of the certificate of incorporation (the terms of the Note Agreements governing) $8,628,321 is available as of December 31, 1955 for cash dividends on common stock.

Operating Results

Year	Retail Sales* (†)	Payments to or for Employees (†)	Depreciation Provision (†)	Net Earnings (†)	Per Common Share: Net Earnings	Per Common Share: Dividends
1941.....	$ 40,953	$ 7,585	$ 482	$1,519	$1.30	$1.20
1942.....	52,360	8,773	575	1,349	1.02	.90
1943.....	51,382	9,371	541	1,156	.85	.57½
1944.....	56,023	10,545	424	1,393	1.06	.70
1945.....	62,400	11,846	235	1,506	1.16	.75
1946.....	86,914	15,455	287	2,840	2.36	1.37½
1947.....	128,484	20,302	604	3,381	2.79	1.50
1948.....	150,609	23,591	1,105	4,013	3.33	1.57½
1949.....	166,108	25,697	1,518	4,172	3.47	1.70
1950.....	185,673	28,099	1,663	4,313	3.58	1.60
1951.....	205,866	30,608	1,909	3,584	2.94	1.75
1952.....	222,594	33,452	2,033	3,159	2.56	1.75
1953.....	238,660	36,293	2,026	3,373	2.53	1.77½
1954.....	270,551	40,808	2,567	4,113	3.01	1.80
1955.....	300,375	43,974	2,990	4,736	3.49	2.00

**Excluding sales tax collections*

FIFTEEN YEAR REVIEW

Financial Growth

At Year End	Working Capital (†)	Ratio: Current Assets to Current Liabilities	Property, Plant and Equipment (†) (at book value)	Shareowners' Investment (†)	Total Assets (†)
1941.......	$ 8,482	4.3 to 1	$ 4,098	$13,070	$16,478
1942.......	8,704	4.5 to 1	4,133	13,090	16,504
1943.......	9,311	4.9 to 1	3,606	13,368	16,668
1944.......	9,951	3.9 to 1	3,235	13,729	18,119
1945.......	10,478	3.1 to 1	3,170	14,103	19,882
1946.......	10,584	2.5 to 1	3,965	15,121	22,976
1947.......	12,317	2.5 to 1	6,010	19,319	28,253
1948.......	12,618	2.3 to 1	8,104	21,325	32,321
1949.......	13,327	2.3 to 1	9,457	23,266	34,911
1950.......	15,459	2.0 to 1	9,727	26,540	41,456
1951.......	22,808	2.7 to 1	11,523	27,654	49,313
1952.......	23,757	2.8 to 1	11,163	28,575	49,472
1953.......	26,865	2.7 to 1	13,318	33,987	57,634
1954.......	22,651	2.2 to 1	18,824	35,650	61,725
1955.......	28,078	2.4 to 1	19,993	37,614	69,776

(†) *In thousands of dollars*

Making Jewel A Better Place To Trade

OPERATING FACILITIES

Jewel Food Stores

With continued rapid growth in the Chicago Metropolitan Area, particularly in the outlying areas of the city and the suburbs, Jewel announced at mid-1955 the extension of its store growth program through 1957. We expect the Area to continue growing beyond that date, and we also plan to continue to increase Jewel's coverage of this market. In addition to the 20 stores scheduled for opening in 1956, commitments have been made for 9 stores and 41 other potential sites are under continuous observation for development over the next several years.

In 1955, we opened 18 new stores and closed 12 small, outmoded units, bringing the number in operation to 179 at year end. These stores contained 1,476,901 square feet of area, a net gain of 138,108 square feet during the year. All new stores were provided with parking lots, self-service meats and air conditioning. At the end of the year, approximately 75% of our stores offered self-service meats and air conditioning and more than half had parking lots of their own or shared lots with others in shopping centers.

In both new and existing stores we are catering to the growing preference of customers for convenience foods, in which we lead the Chicago market according to independent surveys. Last year frozen food sales in Jewel Food Stores increased about one-third, while sales more than doubled for frozen specialties.

With food stores increasingly offering more and larger parking lots, air conditioning, refrigerated food cases, electric eye doors and other conveniences demanded by customers; and with the cost of wages, rents, utilities, laundry, paper bags and countless other items rising—it is our continued effort in day-to-day operations to provide these additional services without

Opened recently, this store is typical of the 18 modern Jewel stores added in 1955.

Latest type Jewel self-service market, opened in January, 1956.

passing their cost on to customers in the form of higher retail prices. Our overall cost of operation, per pound of merchandise handled, has been held down by increases in efficiency through power check-out counters, adoption of the assembly-line technique for handling meat in self-service markets, use of power and gravity roller conveyors for handling groceries, packaging for both eye appeal and ease of handling and stacking, use of adjustable open shelving, vinyl plastic floors which reduce maintenance and accidents, portable telephones for communicating between the sales area and the stockroom, and better staffing to meet the varying peaks and valleys of customers' shopping habits. These methods contributed to raising the number of pounds handled per man hour in the past two years by 11% in the grocery departments and by almost 30% in the meat markets. We will continue these efforts to improve the efficiency of handling food and other products.

Home Service Routes

Jewel Home Service Route Salesmen visit nearly one million homemakers each year over regularly established routes in 42 states.

In the Home Service Routes division, we ended the year 1955 with 2,022 routes in operation. During the year 6 new routes were added and 131 were closed or combined with other routes under our consolidation program, a net reduction of 125.

Our first Area Distribution Center, at New Castle, Pennsylvania, began operations last summer. The functional organization in this center consists of the Division Manager, the Office Manager, and the Distribution Manager who supervises the stocking and movement of merchandise. Reporting to the Division Manager are four District Sales Managers headquartered in Johnstown, Pa.; Pittsburgh, Pa.; Wheeling, W. Va.; and Youngstown, Ohio, respectively. Each is responsible for 6 or 7 Supervisors, each of whom in turn heads a group of approximately 7 Home Service Route Salesmen.

The New Castle Division serves 184 routes in all. These were formerly served from 6 branch locations, each headed by a Branch Manager who supervised all sales, accounting and merchandise functions of the branch. The new organization, besides permitting a greater degree of specialization on each function, also makes it possible to stock in the area warehouse a wider variety of items which can be distributed at lower cost through our regular route delivery system instead of by mail from the Home Service Routes headquarters in Barrington, Illinois. In the three centers to be opened in 1956 we expect to carry further this integration of mail order with route delivery.

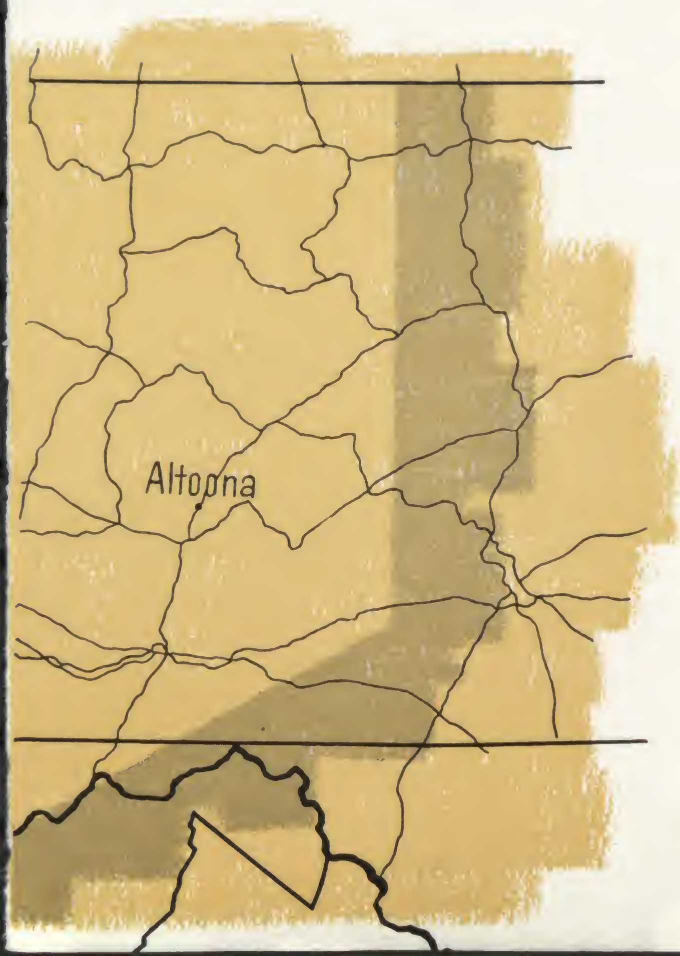
This area which covers 40,557 square miles is served by the New Castle Area Distribution Center, replacing six former branches.

Warehouse and Manufacturing Facilities

The Food Stores warehouse operations have shown increasing efficiency this past year, with overall tons handled per direct labor hour up 9½% since 1954 and 12% since 1953. This has been made possible by centering the handling of dry groceries and other non-perishable merchandise at our modern mechanized 509,000 square foot grocery warehouse, which began operations at Melrose Park, Illinois, in November 1954. This operation is pictured on the inside back cover.

Perishable items are handled from the 309,000 square foot warehouse at 3617 South Ashland Avenue, Chicago, which also houses part of our growing frozen food operations. In addition, frozen foods are handled from leased refrigerated space in Chicago.

Operating efficiency has also improved at Jewel Park in Barrington, Illinois. Here, 400,000 square feet of floor space house the central warehouse and office operations for the Home Service Routes along with the main facilities for coffee roasting and for manufacturing and packaging other items. In warehousing, tons handled per man hour have increased 9% in the past two years, while manufacturing and packaging operations show a comparable rise of 5% in output per man hour. Modern equipment to manufacture soluble coffee at our Barrington plant is expected to be in operation this year.



Architect's drawing of Jewel's Baltimore Area Distribution Center, now under construction.

JEWEL PEOPLE

Up-to-date store, route and plant facilities, and the mechanical aspects of operating efficiency are extremely important. But in the final analysis they are geared to just one thing—providing an economical and pleasant shopping experience for Jewel customers. Efficient facilities are a necessary condition, but it is Jewel people who determine whether shopping actually will be a satisfying experience. Accordingly it will be our continuing effort to make Jewel A Better Place To Work so that Jewel people in all phases of the business will continue their healthy spirit and positive attitude toward their work and an awareness of their direct influence on customer attitudes toward Jewel.

Communications

An important part of this effort consists of two-way communication between those in the supervisory organization and those in daily contact with customers. In addition to Company publications this includes annual conferences with Food Stores Managers and Home Service Branch Managers and Supervisors. More frequent meetings are held on specific subjects, such as the Cashier's job, the handling of fresh fruits and vegetables, or the advantages of the Jewel line of Velvetouch cosmetics on the Home Service Routes, to name a few. Operating people from the field also meet regularly with the merchandising divisions to exchange ideas on the reception of merchandising programs for the stores and routes.

A major aim of these conferences is to explain management's thinking about the ways we may best achieve our goal of creating a more pleasant shopping experience for customers. But equally important are the thoughts of field people on how our operations may be improved. To this end we make extensive use of the round-table case-method conference technique, with all participating in the discussion. In this way each Jewel has an opportunity to participate directly or through his or her immediate supervisor in the formulation of Jewel policies and procedures.

Jewel Food Stores Cashiers' Conference, held February 7, 1956, at the Congress Hotel in Chicago, Illinois.

Trophy awarded to Jewel, cited as "Company of the Year" for its successful execution of the Jewel Combined Appeal Plan.

Benefit Programs

So that Jewel people may concentrate on the effective and friendly performance of their own jobs, free from worry about the hazards of life, Jewel sponsors a number of benefit programs to which both the Company and Jewel people contribute.

Chief among these is Jewel Retirement Estates, or "J.R.E." as it is popularly known, which was established in 1939. Jewel people contribute through regular payroll deductions and the Company contributes a share of profits before federal income taxes. The retirement income that our people can look forward to is encouraging to them in their everyday work. The J.R.E. trust fund totals over $21 million at present, of which about 45% was provided from Company earnings, 25% from employee deposits and 30% from investment earnings and appreciation in the market value of securities. No part of these funds is held for the benefit of the Jewel executive staff, which is covered by a separate trust known as Jewel Supplementary Retirement Trust.

At the 1954 Annual Stockholders' Meeting, authority was granted to issue 60,000 shares of common stock to Jewel retirement funds over a 10-year period. In payment of part of the Company contribution for the 1955 year, 12,000 shares were issued to the funds, valued at $46.55 per share. This was 95% of the closing price on the New York Stock Exchange on February 7, 1956, the day before the meeting of the Board of Directors at which the amount of profit sharing was determined.

A second contributory benefit plan for the benefit of Jewel families is the Jewel Package Plan of Group Insurance, which provides disability pay, life insurance, hospitalization and medical-surgical benefits. During the year benefits were paid in 3,319 cases for hospitalization, 4,012 cases for medical-surgical expenses and 20 death benefits were paid.

National award presented to our Elmhurst, Illinois store manager for outstanding good citizenship in 1955

Citizenship Activities

The most recent example of Jewel people joining together for a common purpose was the formation in 1955 of J-CAP, or Jewel Combined Appeal Plan. Under this plan Jewel people in the Chicago Metropolitan Area accumulate funds through small payroll deductions which are then turned over to the Chicago Community Fund, suburban Community Chests, and other worthy causes such as the American Red Cross, the Heart Fund and the Cancer Crusade. In recognition of the outstanding response by Jewel people in cooperating to satisfy these community obligations, Jewel was cited as "Company of the Year" by the Chicago Community Fund.

Jewel people display good citizenship by taking an active part in the life of their respective communities—as in Boy or Girl Scout and church work, Chambers of Commerce and school problems. This year a Jewel Store Manager, typical of many, but whose service seemed especially worthy of recognition, received one of twelve national Good Citizen awards made in 1955 by the National Association of Food Chains to store managers with outstanding achievements in promoting better community relationships.

Our Philosophy

While our ultimate goal is growth in sales and earnings of the Company, it is our strong belief that treating people with dignity, sharing with them the responsibilities, problems and benefits of the business, is the best means to achieve this goal. As individuals, all Jewels derive additional satisfactions from playing an important part in providing a basic needed service to the public and seeing that our customers' shopping experiences are pleasant and profitable to all concerned.

Directors

G. L. Clements	F. J. Lunding
J. M. Friedlander	E. H. McDermott
W. A. Gerbosi	S. R. Miller
E. E. Hargrave	J. M. O'Connor
A. V. Jannotta	H. J. Szold

R. R. Updegraff

Jewel Tea Co., Inc.

A New York Corporation

John M. Hancock	*Honorary Chairman of Board of Directors*
H. S. Bowers	*Director Emeritus*

Officers

F. J. Lunding	*Chairman of Board of Directors*
G. L. Clements	*President*
J. M. Friedlander	*Chairman of Finance Committee*
C. W. Cederberg	*Vice Pres. Catalog and Gen. Merchandise*
E. E. Hargrave	*Vice Pres. Administration*
E. A. Miller	*Vice Pres. Stores Merchandising*
M. S. Morse	*Vice Pres. Stores Operating*
J. M. O'Connor	*Vice Pres. Imports*
F. L. Spreyer	*Vice Pres. Mfg., Warehousing and Transp.*
H. G. Homuth	*Treasurer*
R. D. Sturtevant	*General Counsel and Secretary*
H. O. Wagner	*Controller*
E. T. Vorbeck	*Gen. Attorney and Asst. Secretary*
R. W. Williamson	*Corp. Attorney and Asst. Secretary*

Principal Offices

Chairman, Board of Directors and Chairman, Finance Committee	135 South LaSalle Street, Chicago 3, Illinois
President and Executive	1955 West North Avenue, Melrose Park, Illinois
Jewel Food Stores	3617 South Ashland Avenue, Chicago 9, Illinois
Home Service Routes	Jewel Park, Barrington, Illinois
Importing	99 Wall Street, New York City

Stock Listing

$1 Par Common Stock and 3¾% Cumulative Preferred Stock listed on the New York Stock Exchange

Transfer Agent

Manufacturers Trust Company 55 Broad Street, New York 15, N. Y.

Registrar

Bankers Trust Company 46 Wall Street, New York 15, N. Y.

Annual Meeting

The Annual Meeting of stockholders will be held at 12:00 noon on Tuesday, March 27, 1956, at the Biltmore Hotel in New York City.

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This report is submitted to the shareowners of the Corporation for their information and is not intended to be used in connection with the sale of or offer to sell any securities, nor is it intended to be information required to be included in a prospectus within the meaning of the provisions of the Federal Securities Act of 1933, as amended.

Warehouse people (one for every 4,500 square feet of floor space), with the aid of 10 fork trucks, nearly one-half mile of electric towveyor lines, 18 electric hand trucks, and other modern, efficient equipment handled 693,654,000 pounds of dry groceries in 1955, (more than 6,000,000 pounds per person) the first full year of operation for this Melrose Park Warehouse which covers more than 11 acres under one roof.


JEWEL

1955 Annual Report, Jewel Tea Co., Inc., Melrose Park, Ill.